

Milwaukee County Employees' Retirement System (ERS)

Pension Budget, Audit and Compliance Committee Meeting

MINUTES

Members: Guy Stuller
Dean Roepke
Keith Garland

1. Call to Order:

Guy Stuller called the Audit Committee Meeting to order at 1:00 pm, on 7-2-09, in the 2nd Floor/Commission Room (210) of the Milwaukee County Courthouse, at 910 North 9th Street, Milwaukee, WI 53233.

2. Roll Call:

	<u>Members Present:</u>	<u>Others Present:</u>	
:	Dean Roepke	Gerald Schroeder	Marilyn Mayr
	Guy Stuller	Steve Huff	David Arena
	Keith Garland	Mark Grady	Gordon Mueller

The following handouts were provided to the Audit Committee members and guests:

- 2008 ERS Annual Report - Draft
- Protective Survivorship Option (PSO) Form

3. Topic: ERS Annual Report & Audit Presentation – Fiscal Officer

A summary of the drafted 2008 ERS Annual Report was provided by Gordon Mueller. An explanation of the cover sheet was given, along with an overview of the cover letter. Key points included:

- A decrease in net assets available to the ERS of \$468.7 million.
- Net Investment losses, pension benefits and administrative expenses exceeded interest, dividends, contributions and other miscellaneous income.

- Total assets at the end of the year were \$1.198 billion.
- Subsequent to the end of the year, proceeds from Pension Obligation Bonds in the amount of \$397.8 million, were transferred into ERS.

Highlights from the Annual Report were provided. Some relevant observations included:

- Investments at Fair Value were \$1,138,690,454.
- For 2008 and 2007, the County contribution recorded by ERS was \$18,222,724 and \$3,104,191 less than the Annual Required Contribution (ARC) for 2008 and 2007, respectively.
- Administrative expenses incurred by the County related to the ERS, are payable by the Retirement System to the County. Such expenses totaled \$1,031,291 and \$915,868 in 2008 and 2007, respectively.
- Significant actuarial assumptions used include a rate of return on the investment of present and future assets of 8.0%, compounded annually in 2008 and 2007. A projected payroll growth increase averaging 3.5% per year, compounded annually in 2008 and 2007, was attributed to inflation, seniority and merit. Finally, post-retirement benefit increases of 2.0% per year for both 2008 and 2007.
- The Option Adjusted Duration for a security is the percentage price sensitivity to interest rate changes of 100 basis points for 1.0%.

4. Topic: PSO Form Revision

Discussion took place concerning the PSO form and the need for revision and better dissemination of information. It was noted that it has been the Board's position to pursue Option 7 as a method of customizing a retirement approach. At this point in time, the Audit Committee as a whole, suggested that the PSO form be modified to reflect only the 100% Option. Guy Stuller wanted Option 7 included on the revised PSO form, but the Audit Committee did not endorse such the suggestion. This will placed on the July's Board meeting agenda.

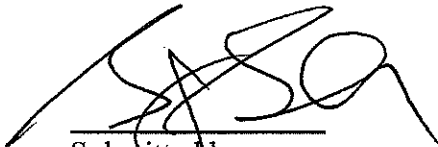
5. Topic: **Ordinance/Board Rules Discussion (1013/1043)**

This item is being held-over for the next Audit Committee meeting, due to the need for further discussion and review.

6. Topic: **Actuarial Assumptions Revision**

Discussion took place relating to the need to better understand the actuarial assumptions being utilized. It was suggested that Buck Consultants should be invited to the Board meeting, for an educational session. The session should address the actuarial principles involved with suggested Board Rule changes. It was noted that the County has the right to set assumptions, as long as there is no major fiduciary impact. Guy Stuller will coordinate such a session.

7. Topic: **Adjournment:** 3:45pm

A handwritten signature in black ink, appearing to read 'G. Schroeder', is written over a horizontal line.

Submitted by
Gerald J. Schroeder
ERS Manager